

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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In re Patent Application of:  
James J. Darr

Application No.: 10/798,551

Confirmation No.: 6462

Filed: March 12, 2004

Art Unit: 3695

For: METHOD FOR RAISING FUNDS

Examiner: Ojo O. Oyebisi

**APPEAL BRIEF**

MS Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Dear Sir:

This brief is in furtherance of the Notice of Appeal filed September 21, 2010.

The fees required under 37 CFR § 41.20(b)(2) and 37 CFR § 1.136(a), and any required petition for extension of time for filing this brief and fees therefore, are dealt with in the accompanying TRANSMITTAL OF APPEAL BRIEF.

Appellants' respectfully solicit the Board of Patent Appeals and Interferences to remand the case to the Examiner with instructions to allow the case pursuant to 37 CFR § 1.197(a).

**Table of Contents:**

This brief contains items under the following headings as required by 37 C.F.R. § 41.37 and M.P.E.P. § 1205.2:

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**I. REAL PARTY IN INTEREST**

The real party in interest for this appeal is Greenwich Financial Investments, LLC, the assignee of record, of 12 Sawmill Lane, Greenwich, Connecticut 06830.

## **II. RELATED APPEALS AND INTERFERENCES**

U.S. Patent Application No. 10/382,947, of which the present application is a continuation-in-part, is currently under appeal.

### **III. STATUS OF CLAIMS**

#### **A. Total Number of Claims in Application**

There are 24 claims pending in application.

#### **B. Current Status of Claims**

1. Claims canceled: 9 - 11.
2. Claims withdrawn from consideration but not canceled: no claims are withdrawn.
3. Claims pending: 1 - 8 and 12 - 24.
4. Claims allowed: no claims are allowed.
5. Claims rejected: 1 - 8 and 12 - 24.

#### **C. Claims On Appeal**

The claims on appeal are claims 1 - 8 and 12 - 24.

#### **IV. STATUS OF AMENDMENTS**

Appellant did not file an amendment after the last Office Action dated May 12, 2010. Appendix A to this brief includes the claims as currently presented. No amendments have been filed subsequent to the most recent final rejection.

## **V. SUMMARY OF CLAIMED SUBJECT MATTER**

The claims on appeal relate to systems and methods for raising funds for an organization.

### **A. Grouping of Claims**

The claims are grouped according to the following:

Independent claim 1 and dependent claims 2 - 8 and 12 - 17;

Independent claim 18;

Independent claim 19; and

Independent claim 20 and dependent claims 21 - 24.

### **B. Claimed Subject Matter**

According to independent claim 1 on appeal: A system for raising funds for a first organization, the system comprising (p. 31, ll. 9 - 19): a memory for storing executable instructions (p. 31, ll. 13 - 15); and a processor for performing the steps comprising (p. 31, ll. 18 - 19): identifying one or more individuals associated with the first organization (p. 9, l. 5); requesting enrollment of the one or more identified individuals in a program permitting the first organization to take out an insurance policy on each life of the one or more identified individuals naming the first organization as beneficiary and granting the first organization an irrevocable right to utilize the insurance policy on each life of the one or more identified individuals to serve the best interests of the first organization (p. 9, ll. 6 - 11); receiving information from one or more of the identified individuals accepting the enrollment (p. 27, ll. 2 - 4); selecting one or more of the one or more enrolled individuals based upon the received information to create a structured financial asset comprising one or more insurance policies for each of the selected individuals (p. 9, ll. 12 - 14), wherein the one or more insurance policies are selectively grouped based upon actuarial matrices or formulas into the structured financial asset (p. 27, ll. 8 - 9); facilitating payment of premiums for the structured financial asset (p. 9, ll. 15 - 17); holding the structured financial asset of the first organization in a passive vehicle (p. 27, ll. 12 - 13; p. 30, ll. 1 - 7); providing, by a second organization, capital to the first organization as evidenced by a promissory note secured by the structured financial asset (p. 30, ll. 1 - 7); transferring a right or a benefit that the passive

vehicle receives with respect to the structured financial asset as repayment of the promissory note to the second organization (p. 9, ll. 18 - 19; p. 27, ll. 16 - 20); and wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (p. 5, ll. 21 - 23; p. 6, ll. 6 - 10; p. 23, ll. 16 - 18; pp. 14 - 15 under "Net Cash Flow"; p. 15 under "Premium Payments").

According to independent claim 18 on appeal: A system for raising funds for a first organization, the system comprising (p. 31, ll. 9 - 19): a memory for storing executable instructions (p. 31, ll. 13 - 15); and a processor for performing the steps comprising (p. 31, ll. 18 - 19): identifying individuals associated with the first organization (p. 9, l. 5); requesting enrollment of the individuals in a program permitting the first organization to insure the individuals (p. 9, ll. 6 - 11); taking out one or more policies insuring the lives of the individuals (p. 27, ll. 3 - 7); naming the first organization as the beneficiary of the one or more policies (p. 27, ll. 7 - 8); selectively grouping the one or more policies based upon actuarial matrices or formulas (p. 27, ll. 8 - 9); transferring funds as evidenced by a promissory note secured by each grouping of the one or more policies to the first organization (p. 9, ll. 18 - 19; p. 27, ll. 16 - 20; p. 28, ll. 3 - 4); repaying the promissory note by transferring one or more benefits and/or rights from the one or more policies (p. 30, ll. 1 - 7); and wherein the selective grouping of the one or more policies generates a variable net cash flow, after payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (p. 5, ll. 21 - 23; p. 6, ll. 6 - 10; p. 23, ll. 16 - 18; pp. 14 - 15 under "Net Cash Flow"; p. 15 under "Premium Payments").

According to independent claim 19 on appeal: A system for raising funds for a first organization, the system comprising (p. 31, ll. 9 - 19): a memory for storing executable instructions (p. 31, ll. 13 - 15); and a processor for performing the steps comprising (p. 31, ll. 18 - 19): identifying individuals associated with the first organization (p. 9, l. 5); requesting enrollment of the individuals in a program permitting the first organization to insure the individuals (p. 9, ll. 6 - 11); taking out life insurance on the individuals and naming the first organization as beneficiary of the life insurance (p. 27, ll. 7 - 8); selectively grouping the one or more policies based upon actuarial matrices or formulas (p. 27, ll. 7 - 8); raisings funds for the first organization by at least borrowing funds from a second organization as evidenced by a promissory note secured by the life insurance (p. 28, ll. 3 - 4); transferring one or



more rights and/or benefits from the life insurance on the insurable interests to the second organization (p. 9, ll. 18 - 19; p. 27, ll. 16 - 20); and wherein the selective grouping of the one or more policies generates a variable net cash flow, after payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (p. 5, ll. 21 - 23; p. 6, ll. 6 - 10; p. 23, ll. 16 - 18; pp. 14 - 15 under "Net Cash Flow"; p. 15 under "Premium Payments").

According to independent claim 20 on appeal: A system for raising funds for a first organization, the system comprising (p. 31, ll. 9 - 19): a memory for storing executable instructions (p. 31, ll. 13 - 15); and a processor for performing the steps comprising (p. 31, ll. 18 - 19): identifying one or more individuals associated with the first organization (p. 9, l. 5); requesting enrollment of the one or more identified individuals in a program permitting the first organization to take out an insurance policy on each life of the one or more identified individuals naming the first organization as beneficiary and granting the first organization an irrevocable right to utilize the insurance policy on each life of the one or more identified individuals to serve the best interests of the first organization (p. 9, ll. 6 - 11); receiving information from one or more of the identified individuals accepting the enrollment (p. 27, ll. 2 - 4); selecting one or more of the one or more enrolled individuals based upon the received information to create a structured financial asset comprising one or more insurance policies for each of the selected individuals (p. 9, ll. 12 - 14), wherein the one or more insurance policies are selectively grouped based upon actuarial matrices or formulas into the structured financial asset (p. 27, ll. 8 - 9); facilitating payment of premiums for the structured financial asset (p. 9, ll. 15 - 17); providing, by a second organization, capital to the first organization as evidenced by a promissory note secured by the structured financial asset (p. 30, ll. 1 - 7); transferring the structured financial asset of the first organization into a passive vehicle for the benefit of the first organization and the second organization (p. 9, ll. 18 - 19; p. 27, ll. 16 - 20); transferring a right or a benefit that the passive vehicle receives with respect to the structured financial asset as repayment of the promissory note to the second organization (p. 9, ll. 18 - 19; p. 27, ll. 16 - 20); and wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate (p. 5, ll. 21 - 23; p. 6, ll. 6 - 10; p. 23, ll. 16 - 18; pp. 14 - 15 under "Net Cash Flow"; p. 15 under "Premium Payments").

**VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL**

Appellants respectfully request review of the following rejections made by the Examiner:

Whether claims 1 - 5, 7 - 8, 12 - 20 and 22 - 24 are unpatentable under 35 U.S.C. §102(e) over Herman *et al.* (U.S. Patent Publication No. 2002/0035489), hereinafter "Herman".

Whether claims 6 and 21 are unpatentable under 35 U.S.C. §103(a) over Herman.

## VII. ARGUMENT

The following arguments are in response to the Examiner's assertions presented in the Office Action dated May 12, 2010.

**Claims 1 - 5, 7 - 8, 12 - 20 and 22 - 24 are not anticipated by Herman as alleged by the Examiner.**

### A. Claim 1 - 5, 7 - 8 and 12 - 17

Herman lacks at least one element of the claimed invention. In particular, Herman does not disclose "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". Lacking at least this element, Herman cannot anticipate the claims.

"[A] claim is anticipated if each and every limitation is found either expressly or inherently in a single prior art reference." *Celeritas Technologies, Ltd. v. Rockwell International Corp.*, 150 F.3d 1354, 1361 (Fed. Cir. 1998). A convenient way to consider invalidity by anticipation is the "four corners" doctrine. The "four corners" doctrine refers to the idea that invalidity by anticipation requires that each and every limitation of the claimed invention is described either expressly or inherently within the four corners of a single prior art document. *Advanced Display Systems, Inc. v. Kent State Univ.*, 212 F.3d 1272, 1282 (Fed. Cir. 2000). Thus, it is not enough that the prior art reference discloses part of the claimed invention, which an ordinary artisan might supplement to make the whole, or that it includes multiple, distinct teachings that the artisan might somehow combine to achieve the claimed invention. *See In re Arkeley*, 455 F.2d 586, 587 (CCPA 1972) ("[T]he [prior art] reference must clearly and unequivocally disclose the claimed [invention] or direct those skilled in the art to the [invention] without any need for picking, choosing, and combining various disclosures not directly related to each other by the teachings of the cited reference.").

As indicated, Herman does not disclose "wherein the structured financial asset generates a variable net cash flow, after payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate."

What Herman does disclose is a system that guarantees a predetermined cash flow, where a reinsurance policy and subsequent cash flow are *based on an expected mortality rate*. Herman at paragraph 0009 ("A re-insurer issues the mortality guarantee reinsurance policy to compensate for any shortfalls in death benefit pay-outs from the insurer."). Under Herman, the predetermined cash flow is always at least as much *as predicted by the expected mortality rate* in a given policy period. Herman at paragraph 0009 ("thereby protecting the lender by ensuring a minimum level of overall insurance proceeds."); and paragraph 0035 ("Under the mortality guarantee, if sufficient death benefits are paid in a given year by Insurer 106 (i.e., fewer individuals die during a given year *than expected*), Re-insurer 112 is liable to make up the short coming in death benefits") (Emphasis added).

Herman discloses that a minimum cash flow is paid every policy period, and that the minimum cash flow is determined by an expected mortality rate. Therefore, cash flow in Herman is predetermined based upon and timed by an underlying expected mortality rate. All further calculations in Herman are based on and timed by the expected mortality rate.

In contrast, the claims explicitly require that the variable net cash flow is *not* based upon and timed by an expected mortality rate. The claims require a variable net cash flow where payments are made based upon the number of actual mortalities during a given policy period. The variable net cash flow in the claimed invention is not based upon and timed by an expected mortality rate, as found in Herman.

There are distinct differences between the payment schedule of the claimed invention and the payment schedule of Herman. As an example, assume that during a given policy period, five insured individuals are expected to die based upon expected mortality rates. Also, assume that during that given policy period only three insured individuals die.

1. Under Herman: The policy holder will be paid for *all five expected deaths*. Three will be paid using policy death benefits. The remaining two will be paid for using funds from the reinsurance policy. Thus, Herman always guarantees a minimum cash flow based upon and timed by the expected mortality rate, which is referred to as a "mortality guarantee". Herman at Abstract.

2. Under the Claimed Invention: The policy holder will be paid for *only the three actual deaths*. This cash flow will be less than a cash flow based upon and timed by an expected mortality rate. The

claimed invention does not consider the expected mortality rate in determining cash flow. Thus, the claimed invention has a variable net cash flow "based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". The claimed invention does not "guarantee" a minimum payment each policy period based on expected mortality rates.

A benefit to Applicant's invention is that it permits variable net cash flow, particularly when mortality is below an expected mortality rate. The lower returns in the beginning of the program results in retention of funds that are in turn is used to cover increases in life expectancy and the corresponding length and timing of policy payments. The claimed invention allows for protection in the case of future liabilities. This is not possible in systems such as Herman that require a minimum cash flow based on expected mortality rates for each policy period.

The Examiner's comments on pages 2 - 4 of the May 12, 2010 Office Action specifically cite paragraph 0022 of Herman as suggested disclosure of timing of payments based on actual mortality. Paragraph 0022 of Herman states: "The insurance policies, mortality payments, and/or reinsurance payments provide a source of revenue sufficient to repay the lender(s) or investor(s) and to finance a specific mission statement of the foundation". Applicant respectfully notes that the "source of revenue" described is based upon and timed by an expected mortality rate. For example, Herman discloses that a predetermined cash flow is guaranteed to the foundation. *See* Herman at paragraphs 0009, 0033 and 0034. This predetermined cash flow must be based on an expected mortality rate, because a shortfall cannot be determined without a reference value. The reference value is the expected mortality rate. Therefore, the "insurance policies, mortality payments, and/or reinsurance payments" together must be used to satisfy the predetermined cash flow that is dependent on the expected mortality rate.

Furthermore, the Examiner's comments regarding Herman on page 3 of the May 12, 2010 Office Action correctly note: "timing cash flow to the lender/investor with *expected* mortality can lead to shortfalls in mortality payments". (Emphasis added). As previously indicated, Herman bases all cash flow calculations and distributions on an expected mortality rate, which is excluded from the claimed invention. Herman is aware that shortfalls relative to the expected mortality rate are possible, so a reinsurance policy is used to provide the predetermined cash flow to the foundation. Contrary to the

claimed invention, Herman does not use a variable cash flow based upon and timed by actual mortality payments, but instead uses expected mortality rates.

Applicant's invention, as claimed, requires: "wherein the structured financial asset generates a variable net cash flow, after payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." Herman discloses a system that *is not* based upon and timed by actual mortality rate and *is* based upon and timed by an expected mortality rate. As such, Herman lacks at least this element of the claims. Therefore, for at least these reasons, the claims are patentable over Herman.

#### **B. Claim 18.**

Herman lacks at least one element of the claimed invention. In particular, Herman does not disclose "wherein the selective grouping of the one or more policies generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". Lacking at least this element, Herman cannot anticipate the claim.

"[A] claim is anticipated if each and every limitation is found either expressly or inherently in a single prior art reference." *Celeritas Technologies, Ltd. v. Rockwell International Corp.*, 150 F.3d 1354, 1361 (Fed. Cir. 1998). A convenient way to consider invalidity by anticipation is the "four corners" doctrine. The "four corners" doctrine refers to the idea that invalidity by anticipation requires that each and every limitation of the claimed invention is described either expressly or inherently within the four corners of a single prior art document. *Advanced Display Systems, Inc. v. Kent State Univ.*, 212 F.3d 1272, 1282 (Fed. Cir. 2000). Thus, it is not enough that the prior art reference discloses part of the claimed invention, which an ordinary artisan might supplement to make the whole, or that it includes multiple, distinct teachings that the artisan might somehow combine to achieve the claimed invention. *See In re Arkeley*, 455 F.2d 586, 587 (CCPA 1972) ("[T]he [prior art] reference must clearly and unequivocally disclose the claimed [invention] or direct those skilled in the art to the [invention] without any need for picking, choosing, and combining various disclosures not directly related to each other by the teachings of the cited reference.").

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Herman discloses that a minimum cash flow is paid every policy period, and that the minimum cash flow is determined by an expected mortality rate. Therefore, cash flow in Herman is predetermined based upon and timed by an underlying expected mortality rate. All further calculations in Herman are based on and timed by the expected mortality rate.

In contrast, the claim explicitly requires that the variable net cash flow is *not* based upon and timed by an expected mortality rate. The claim requires a variable net cash flow where payments are made based upon the number of actual mortalities during a given policy period. The variable net cash flow in the claimed invention is not based upon and timed by an expected mortality rate, as found in Herman.

There are distinct differences between the payment schedule of the claimed invention and the payment schedule of Herman. As an example, assume that during a given policy period, five insured individuals are expected to die based upon expected mortality rates. Also, assume that during that given policy period only three insured individuals die.

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Applicant's invention, as claimed, requires: "wherein the selective grouping of the one or more policies generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". Herman discloses a system that *is not* based upon and timed by actual mortality rate and *is* based upon and timed by an expected mortality rate. As such, Herman lacks at least this element of the claim. Therefore, for at least these reasons, the claim is patentable over Herman.

### C. Claim 19.

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#### **D. Claims 19 - 20 and 22 - 24.**

Herman lacks at least one element of the claimed invention. In particular, Herman does not disclose "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". Lacking at least this element, Herman cannot anticipate the claims.

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*Arkey*, 455 F.2d 586, 587 (CCPA 1972) ("[T]he [prior art] reference must clearly and unequivocally disclose the claimed [invention] or direct those skilled in the art to the [invention] without any need for picking, choosing, and combining various disclosures not directly related to each other by the teachings of the cited reference.").

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What Herman does disclose is a system that guarantees a predetermined cash flow, where a reinsurance policy and subsequent cash flow are *based on an expected mortality rate*. Herman at paragraph 0009 ("A re-insurer issues the mortality guarantee reinsurance policy to compensate for any shortfalls in death benefit pay-outs from the insurer."). Under Herman, the predetermined cash flow is always at least as much *as predicted by the expected mortality rate* in a given policy period. Herman at paragraph 0009 ("thereby protecting the lender by ensuring a minimum level of overall insurance proceeds."); and paragraph 0035 ("Under the mortality guarantee, if sufficient death benefits are paid in a given year by Insurer 106 (i.e., fewer individuals die during a given year *than expected*), Re-insurer 112 is liable to make up the short coming in death benefits") (Emphasis added).

Herman discloses that a minimum cash flow is paid every policy period, and that the minimum cash flow is determined by an expected mortality rate. Therefore, cash flow in Herman is predetermined based upon and timed by an underlying expected mortality rate. All further calculations in Herman are based on and timed by the expected mortality rate.

In contrast, the claims explicitly require that the variable net cash flow is *not* based upon and timed by an expected mortality rate. The claims require a variable net cash flow where payments are made based upon the number of actual mortalities during a given policy period. The variable net cash flow in the claimed invention is not based upon and timed by an expected mortality rate, as found in Herman.

There are distinct differences between the payment schedule of the claimed invention and the payment schedule of Herman. As an example, assume that during a given policy period, five

insured individuals are expected to die based upon expected mortality rates. Also, assume that during that given policy period only three insured individuals die.

1. Under Herman: The policy holder will be paid for *all five expected deaths*. Three will be paid using policy death benefits. The remaining two will be paid for using funds from the reinsurance policy. Thus, Herman always guarantees a minimum cash flow based upon and timed by the expected mortality rate, which is referred to as a "mortality guarantee". Herman at Abstract.

2. Under the Claimed Invention: The policy holder will be paid for *only the three actual deaths*. This cash flow will be less than a cash flow based upon and timed by an expected mortality rate. The claimed invention does not consider the expected mortality rate in determining cash flow. Thus, the claimed invention has a variable net cash flow "based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". The claimed invention does not "guarantee" a minimum payment each policy period based on expected mortality rates.

A benefit to Applicant's invention is that it permits variable net cash flow, particularly when mortality is below an expected mortality rate. The lower returns in the beginning of the program results in retention of funds that are in turn is used to cover increases in life expectancy and the corresponding length and timing of policy payments. The claimed invention allows for protection in the case of future liabilities. This is not possible in systems such as Herman that require a minimum cash flow based on expected mortality rates for each policy period.

The Examiner's comments on pages 2 - 4 of the May 12, 2010 Office Action specifically cite paragraph 0022 of Herman as suggested disclosure of timing of payments based on actual mortality. Paragraph 0022 of Herman states: "The insurance policies, mortality payments, and/or reinsurance payments provide a source of revenue sufficient to repay the lender(s) or investor(s) and to finance a specific mission statement of the foundation". Applicant respectfully notes that the "source of revenue" described is based upon and timed by an expected mortality rate. For example, Herman discloses that a predetermined cash flow is guaranteed to the foundation. *See* Herman at paragraphs 0009, 0033 and 0034. This predetermined cash flow must be based on an expected mortality rate, because a shortfall cannot be determined without a reference value. The reference value is the expected mortality rate. Therefore, the "insurance policies, mortality payments, and/or reinsurance payments"

together must be used to satisfy the predetermined cash flow that is dependent on the expected mortality rate.

Furthermore, the Examiner's comments regarding Herman on page 3 of the May 12, 2010 Office Action correctly note: "timing cash flow to the lender/investor with *expected* mortality can lead to shortfalls in mortality payments". (Emphasis added). As previously indicated, Herman bases all cash flow calculations and distributions on an expected mortality rate, which is excluded from the claimed invention. Herman is aware that shortfalls relative to the expected mortality rate are possible, so a reinsurance policy is used to provide the predetermined cash flow to the foundation. Contrary to the claimed invention, Herman does not use a variable cash flow based upon and timed by actual mortality payments, but instead uses expected mortality rates.

Applicant's invention, as claimed, requires: "wherein the structured financial asset generates a variable net cash flow, after payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." Herman discloses a system that *is not* based upon and timed by actual mortality rate and *is* based upon and timed by an expected mortality rate. As such, Herman lacks at least this element of the claims. Therefore, for at least these reasons, the claims are patentable over Herman.

**Claims 6 and 21 are not obvious over Herman as alleged by the Examiner.**

Herman lacks at least one element of the claimed invention, and as such cannot render obvious the claimed invention, either explicitly or implicitly. In particular, Herman does not disclose "wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". Lacking at least this element, Herman cannot render obvious the claims.

What Herman does disclose is a system that guarantees a predetermined cash flow, where a reinsurance policy and subsequent cash flow are *based on an expected mortality rate*. Herman at paragraph 0009 ("A re-insurer issues the mortality guarantee reinsurance policy to compensate for any shortfalls in death benefit pay-outs from the insurer."). Under Herman, the predetermined cash flow is always at

least as much *as predicted by the expected mortality rate* in a given policy period. Herman at paragraph 0009 ("thereby protecting the lender by ensuring a minimum level of overall insurance proceeds."); and paragraph 0035 ("Under the mortality guarantee, if sufficient death benefits are paid in a given year by Insurer 106 (i.e., fewer individuals die during a given year *than expected*), Re-insurer 112 is liable to make up the short coming in death benefits") (Emphasis added).

Herman discloses that a minimum cash flow is paid every policy period, and that the minimum cash flow is determined by an expected mortality rate. Therefore, cash flow in Herman is predetermined based upon and timed by an underlying expected mortality rate. All further calculations in Herman are based on and timed by the expected mortality rate.

In contrast, the claims explicitly require that the variable net cash flow is *not* based upon and timed by an expected mortality rate. The claims require a variable net cash flow where payments are made based upon the number of actual mortalities during a given policy period. The variable net cash flow in the claimed invention is not based upon and timed by an expected mortality rate, as found in Herman.

There are distinct differences between the payment schedule of the claimed invention and the payment schedule of Herman. As an example, assume that during a given policy period, five insured individuals are expected to die based upon expected mortality rates. Also, assume that during that given policy period only three insured individuals die.

1. Under Herman: The policy holder will be paid for *all five expected deaths*. Three will be paid using policy death benefits. The remaining two will be paid for using funds from the reinsurance policy. Thus, Herman always guarantees a minimum cash flow based upon and timed by the expected mortality rate, which is referred to as a "mortality guarantee". Herman at Abstract.

2. Under the Claimed Invention: The policy holder will be paid for *only the three actual deaths*. This cash flow will be less than a cash flow based upon and timed by an expected mortality rate. The claimed invention does not consider the expected mortality rate in determining cash flow. Thus, the claimed invention has a variable net cash flow "based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate". The claimed invention does not "guarantee" a minimum payment each policy period based on expected mortality rates.



A benefit to Applicant's invention is that it permits variable net cash flow, particularly when mortality is below an expected mortality rate. The lower returns in the beginning of the program results in retention of funds that are in turn is used to cover increases in life expectancy and the corresponding length and timing of policy payments. The claimed invention allows for protection in the case of future liabilities. This is not possible in systems such as Herman that require a minimum cash flow based on expected mortality rates for each policy period.

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Furthermore, the Examiner's comments regarding Herman on page 3 of the May 12, 2010 Office Action correctly note: "timing cash flow to the lender/investor with *expected* mortality can lead to shortfalls in mortality payments". (Emphasis added). As previously indicated, Herman bases all cash flow calculations and distributions on an expected mortality rate, which is excluded from the claimed invention. Herman is aware that shortfalls relative to the expected mortality rate are possible, so a reinsurance policy is used to provide the predetermined cash flow to the foundation. Contrary to the claimed invention, Herman does not use a variable cash flow based upon and timed by actual mortality payments, but instead uses expected mortality rates.

Applicant's invention, as claimed, requires: "wherein the structured financial asset generates a variable net cash flow, after payment of premiums, based upon and timed by actual mortality payments and not based upon and timed by an expected mortality rate." Herman discloses a system

that *is not* based upon and timed by actual mortality rate and *is* based upon and timed by an expected mortality rate. As such, Herman lacks at least this element of the claims. Therefore, for at least these reasons, the claims are patentable over Herman.

**Conclusion**

Appellants have demonstrated the errors in the rejections of claims 1 - 8 and 12 - 24. Appellants therefore submit that the identified rejections are improper and that the identified claims are allowable over the asserted reference. Appellants respectfully request that the Board of Patent Appeals and Interferences reverse the Examiner's rejections of the identified claims and direct the Examiner to pass the case to allowance.

### **VIII. CLAIMS**

A copy of the claims involved in the present appeal is attached hereto as Appendix A, as indicated above.

**CONCLUSION**

Appellant submits concurrently a request for a five-month extension of time under 37 C.F.R. §1.136 and the accompanying fee. Please charge our Credit Card in the amount of \$1,175.00 covering the fee set forth in 37 C.F.R. 1.17(a)(5).

In the event that any additional extensions of time are necessary to prevent the abandonment of this patent application, then such extensions of time are petitioned. The U.S. Patent and Trademark Office is authorized to charge any additional fees that may be required in conjunction with this submission to Deposit Account No. 50-2228, under Order No. 027110.0104C1US from which the undersigned is authorized to draw.

Dated: April 20, 2011

Respectfully submitted,

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**APPENDIX A**

Claims Involved in the Appeal of Application Serial No. 10/798,551:

1. A system for raising funds for a first organization, the system comprising:
  - a memory for storing executable instructions; and
  - a processor for performing the steps comprising:
    - identifying one or more individuals associated with the first organization;
    - requesting enrollment of the one or more identified individuals in a program permitting the first organization to take out an insurance policy on each life of the one or more identified individuals naming the first organization as beneficiary and granting the first organization an irrevocable right to utilize the insurance policy on each life of the one or more identified individuals to serve the best interests of the first organization;
    - receiving information from one or more of the identified individuals accepting the enrollment;
    - selecting one or more of the one or more enrolled individuals based upon the received information to create a structured financial asset comprising one or more insurance policies for each of the selected individuals, wherein the one or more insurance policies are selectively grouped based upon actuarial matrices or formulas into the structured financial asset;
    - facilitating payment of premiums for the structured financial asset;
    - holding the structured financial asset of the first organization in a passive vehicle;
    - providing, by a second organization, capital to the first organization as evidenced by a promissory note secured by the structured financial asset;

transferring a right or a benefit that the passive vehicle receives with respect to the structured financial asset as repayment of the promissory note to the second organization; and

wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate.

2. The system of claim 1, wherein the passive vehicle holds the structured financial asset on behalf of the first organization and the second organization.

3. The system of claim 1, wherein the right or the benefit includes canceling the structured financial asset.

4. The system of claim 1, wherein the right or the benefit includes distributing all assets contained within the passive vehicle.

5. The system of claim 1, wherein the right or the benefit includes transferring the right or the benefit from the structured financial asset at any time.

6. The system of claim 1, wherein the right or the benefit includes a call option to acquire the structured financial asset from the passive vehicle.

7. The system of claim 1, wherein the first organization is a non-profit organization.

8. The system of claim 1, wherein the second organization includes a lender.

9. (Canceled)

10. (Canceled)

11. (Canceled)

12. The system of claim 1, wherein the first organization is solely responsible for the premiums of the one or more insurance policies.

13. The system of claim 1, wherein the one or more insurance policies is structured as a

single premium modified endowment contract.

14. The system of claim 1, wherein the structured financial asset includes variable universal life insurance.
15. The system of claim 1, wherein the passive vehicle includes a trust.
16. The system of claim 1, wherein the passive vehicle includes a Qualifying Special Purpose Entity.
17. The system of claim 1, wherein the second organization, upon transfer of the structured financial asset by the first organization to the passive vehicle, has an investment classified as an "available for sale investment" under FASB 140 at the full purchase price of the second organization.
18. A system for raising funds for a first organization, the system comprising:
  - a memory for storing executable instructions; and
  - a processor for performing the steps comprising:
    - identifying individuals associated with the first organization;
    - requesting enrollment of the individuals in a program permitting the first organization to insure the individuals;
    - taking out one or more policies insuring the lives of the individuals;
    - naming the first organization as the beneficiary of the one or more policies;
    - selectively grouping the one or more policies based upon actuarial matrices or formulas;
    - transferring funds as evidenced by a promissory note secured by each grouping of the one or more policies to the first organization;
    - repaying the promissory note by transferring one or more benefits and/or rights from the one or more policies; and
    - wherein the selective grouping of the one or more policies generates a variable net cash flow,

after payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate.

19. A system for raising funds for a first organization, the system comprising:
  - a memory for storing executable instructions; and
  - a processor for performing the steps comprising:
    - identifying individuals associated with the first organization;
    - requesting enrollment of the individuals in a program permitting the first organization to insure the individuals;
    - taking out life insurance on the individuals and naming the first organization as beneficiary of the life insurance;
    - selectively grouping the one or more policies based upon actuarial matrices or formulas;
    - raising funds for the first organization by at least borrowing funds from a second organization as evidenced by a promissory note secured by the life insurance;
    - transferring one or more rights and/or benefits from the life insurance on the insurable interests to the second organization; and
    - wherein the selective grouping of the one or more policies generates a variable net cash flow, after payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate.

20. A system for raising funds for a first organization, the system comprising:
  - a memory for storing executable instructions; and
  - a processor for performing the steps comprising:
    - identifying one or more individuals associated with the first organization;
    - requesting enrollment of the one or more identified individuals in a program permitting the first



organization to take out an insurance policy on each life of the one or more identified individuals naming the first organization as beneficiary and granting the first organization an irrevocable right to utilize the insurance policy on each life of the one or more identified individuals to serve the best interests of the first organization; receiving information from one or more of the identified individuals accepting the enrollment; selecting one or more of the one or more enrolled individuals based upon the received information to create a structured financial asset comprising one or more insurance policies for each of the selected individuals, wherein the one or more insurance policies are selectively grouped based upon actuarial matrices or formulas into the structured financial asset; facilitating payment of premiums for the structured financial asset; providing, by a second organization, capital to the first organization as evidenced by a promissory note secured by the structured financial asset; transferring the structured financial asset of the first organization into a passive vehicle for the benefit of the first organization and the second organization; transferring a right or a benefit that the passive vehicle receives with respect to the structured financial asset as repayment of the promissory note to the second organization; and wherein the structured financial asset generates a variable net cash flow, after the payment of premiums, based upon and timed by mortality payments and not based upon and timed by an expected mortality rate.

21. The system of claim 20, further comprising providing a call option to the second organization to acquire the structured financial asset from the passive vehicle.

22. The system of claim 20, wherein the first organization is solely responsible for the

premiums of the structured financial asset.

23. The system of claim 20, wherein the passive vehicle is a Qualifying Special Purpose Entity.

24. The system of claim 20, wherein the second organization, upon transfer of the structured financial asset by the first organization to the passive vehicle, has an investment classified as an "available for sale investment" under FASB 140.

**APPENDIX B**

None.

**APPENDIX C**

None.

There is no decision at this time in the appeal of co-pending U.S. Application No. 10/382,947, referenced in II above, hence copies of decisions in related proceedings are not provided.